

Exhibit 300 (BY2008)

PART ONE	
OVERVIEW	
1. Date of Submission:	2006-11-07
2. Agency:	015
3. Bureau:	45
4. Investment Name:	Customer Account Data Engine (CADE)
5. UPI:	015-45-01-14-01-4676-00
6. What kind of investment will this be in FY2008?	
Mixed Life Cycle	
7. What was the first budget year this investment was submitted to OMB?	
FY2001 or earlier	
8. Provide a brief summary and justification for this investment, including a brief description of how this closes in part or in whole an identified agency performance gap.	
<p>The IRS is critically dependent on obsolete, fundamentally deficient computer systems developed over 40 years ago. CADE will provide the data foundation for a modernized IRS by replacing the Individual Master File (IMF) and enabling the replacement of related Integrated Data Retrieval System (IDRS) components with new technology, new applications, and new databases. CADE will create applications for daily posting, settlement, maintenance, refund processing, and issue detection for individual taxpayer tax account and return data. The database and applications developed under the CADE umbrella will also enable the development of subsequent modernized systems that improve customer service and compliance. The approach to investments in CADE is in alignment with OMB A-130, Clinger-Cohen, and the IRS' Enterprise Life Cycle methodology. CADE will be developed incrementally in seven releases with two semi-annual releases per year, one in January and the other in July. The January releases will include filing season and tax law changes with minimal new functionality. The July releases will focus on new functionality and any necessary tax law changes. This approach delivers more business capability earlier with fewer risks. Migrating taxpayers by segments is predicated upon making limited and controlled investments in IRS tax database modernization starting with the least complex processing environment. At the conclusion of Release 7, CADE will have replaced the IMF and the IRS will conduct business more differently than it does today. CADE will ensure tax refunds paid to taxpayers are timely, thus furthering the goal to ensure all federal payments are accurate and timely. Since refunds will be issued very quickly, usually within 4-6 days from posting in CADE, taxpayers will have drastically reduced incentive to pay for a Refund Anticipation Loan (RAL) compared to the current situation. CADE data will be current, complete, and accurate and will allow on-line access and updates to taxpayer accounts, thus improving processing efficiency. CADE will make more accurate and timely tax data available to IRS auditors, thus increasing their performance. CADE will increase overall performance by providing the authoritative data necessary to detect issues earlier and identify potential areas of non-compliance. Early and prompt identification of potential tax preparation problems will reduce the burden on taxpayers to fully comply with current tax code.</p>	
9. Did the Agency's Executive/Investment Committee approve this request?	
yes	
9.a. If "yes," what was the date of this approval?	
2006-08-09	
10. Did the Project Manager review this Exhibit?	
yes	
11. Project Manager Name:	
Townsend, Amos	
Project Manager Phone:	
202 283-6831	
Project Manager Email:	
Amos.C.Townsend@irs.gov	
12. Has the agency developed and/or promoted cost effective, energy-efficient and environmentally sustainable techniques or practices for this project.	

no	
12.a. Will this investment include electronic assets (including computers)?	
no	
13. Does this investment support one of the PMA initiatives?	
yes	
If yes, select the initiatives that apply:	
Financial Performance	
Human Capital	
13.a. Briefly describe how this asset directly supports the identified initiative(s)?	
CADE supports Financial Performance by improving accuracy, access, and timeliness of taxpayer account information; accuracy of balances in revenue accounting systems; and providing information to support financial management decisions. HUMAN CAPITAL: CADE participates in the human resource capacity model developed by IRS which captures HR requirements for all phases of the investment life cycle, projects staffing requirements to manage the investment solution, and assists strategic planning.	
14. Does this investment support a program assessed using OMB's Program Assessment Rating Tool (PART)?	
no	
14.a. If yes, does this investment address a weakness found during the PART review?	
no	
15. Is this investment for information technology (See section 53 for definition)?	
yes	
16. What is the level of the IT Project (per CIO Council's PM Guidance)?	
Level 3	
17. What project management qualifications does the Project Manager have? (per CIO Council's PM Guidance)	
(1) Project manager has been validated as qualified for this investment	
18. Is this investment identified as high risk on the Q4 - FY 2006 agency high risk report (per OMB's high risk memo)?	
yes	
19. Is this a financial management system?	
no	
20. What is the percentage breakout for the total FY2008 funding request for the following? (This should total 100%)	
Hardware	4
Software	3
Services	90
Other	2
21. If this project produces information dissemination products for the public, are these products published to the Internet in conformance with OMB Memorandum 05-04 and included in your agency inventory, schedules and priorities?	
n/a	
22. Contact information of individual responsible for privacy related questions.	
Name	
Susan Dennis	
Phone Number	
202 622-5438	
Title	
Management and Program Analyst	
Email	

Susan.Dennis@irs.gov

23. Are the records produced by this investment appropriately scheduled with the National Archives and Records Administration's approval?

yes

SUMMARY OF SPEND

1. Provide the total estimated life-cycle cost for this investment by completing the following table. All amounts represent budget authority in millions, and are rounded to three decimal places. Federal personnel costs should be included only in the row designated Government FTE Cost, and should be excluded from the amounts shown for Planning, Full Acquisition, and Operation/Maintenance. The total estimated annual cost of the investment is the sum of costs for Planning, Full Acquisition, and Operation/Maintenance. For Federal buildings and facilities, life-cycle costs should include long term energy, environmental, decommissioning, and/or restoration costs. The costs associated with the entire life-cycle of the investment should be included in this report.

All amounts represent Budget Authority

(Estimates for BY+1 and beyond are for planning purposes only and do not represent budget decisions)

	PY-1 & Earlier	PY	CY
	-2005	2006	2007
Planning Budgetary Resources	89.505	16.852	
Acquisition Budgetary Resources	210.455	77.078	
Maintenance Budgetary Resources	15.489	7.630	
Government FTE Cost	14.930	17.040	
# of FTEs	102	134	

Note: For the cross-agency investments, this table should include all funding (both managing partner and partner agencies).

Government FTE Costs should not be included as part of the TOTAL represented.

2. Will this project require the agency to hire additional FTE's?

yes

2.a. If "yes," how many and in what year?

CADE is implementing a co-development model requiring an increase in government developers over the next several years. In February 2006, CADE secured 8 detailees to support CADE development. The IRS expects a net increase of zero government FTEs to the agency, as these hires will be offset by attrition and retirement.

3. If the summary of spending has changed from the FY2007 President's budget request, briefly explain those changes.

The total costs per year listed in the Summary of Spending table above exclude the government FTE costs that are listed separately. The most notable difference with the FY08 E300 submission is for FY08 and later years. Starting in FY08, Core Infrastructure costs and Program Level Initiatives costs were removed from all IRS E300s and either reported in an Infrastructure E300 or reported as Program costs in the Exhibit 53.

PERFORMANCE

In order to successfully address this area of the exhibit 300, performance goals must be provided for the agency and be linked to the annual performance plan. The investment must discuss the agency's mission and strategic goals, and performance measures must be provided. These goals need to map to the gap in the agency's strategic goals and objectives this investment is designed to fill. They are the internal and external performance benefits this investment is expected to deliver to the agency (e.g., improve efficiency by 60 percent, increase citizen participation by 300 percent a year to achieve an overall citizen participation rate of 75 percent by FY 2xxx, etc.). The goals must be clearly measurable investment outcomes, and if applicable, investment outputs. They do not include the completion date of the module, milestones, or investment, or general goals, such as, significant, better, improved that do not have a quantitative or qualitative measure.

Agencies must use Table 1 below for reporting performance goals and measures for all non-IT investments and for existing IT investments that were initiated prior to FY 2005. The table can be extended to include measures for years beyond FY 2006.

Table 1

	Fiscal Year	Strategic Goal(s) Supported	Performance Measure	Actual/baseline (from Previous Year)	Planned Performance Metric (Target)	Performance Metric Results (Actual)
1	2004	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to each taxpayer Productivity through a Quality Work Environment	Initial deployment of CADE will be the first step in modernizing master file processing. Release 1 will successfully process a subset of 1040EZs, and issue refunds.	Performance Goals will be measured and reported starting in CY 2005.	Deliver initial operating capabilities(IOC).	Initial operating capability (IOC) delivered.
2	2004	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce update/posting cycle time.	Reduce cycle time to post a return to same day the return received by CADE, for the subset of 1040EZ filers processed by CADE.	5-9 days	This is measured from the point in the processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (ECCM) until it is posted by CADE.	A process was in place to record when transmissions were received by ECCM, and when accounts were posted to CADE to measure the reduction in cycle time.
3	2004	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce time to issue direct deposit refunds.	Reduce the cycle time to issue an electronic refund for the subset of 1040EZ filers processed by CADE to 4 business days.	5-11 days	This is measured from the point in the processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (MTB) until refund is issued by FMS.	A process was in place to record when transmissions were received by ECCM, and when FMS issued refunds to taxpayer accounts in order to measure the reduction in refund issuance time.
4	2004	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer; and Productivity through a Quality Work Environment. Reduce time to issue paper refund;	Reduce the cycle time to issue a paper refund for the subset of 1040EZ filers processed by CADE to 6 business days.	6 to 20 days	This is a measured from the point in processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (MTB) until refund is issued by FMS.	A process was in place to record when transmissions were received by ECCM, and when FMS issued refunds to taxpayer accounts in order to measure the reduction in refund issuance time.
5	2005	Treasury Strategic Goal: Manage the U.S. Government's Finances	Reduce cycle time to post a return the same day the return	5-9 days	This is measured from the point in the processing cycle when the	A process is in place to record when transmissions

		Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce update/posting cycle time.	received by CADE, for the subset of 1040EZ filers processed by CADE.		return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (MTB) until it is posted by CADE.	are received by ECCM, and when accounts are posted to CADE to measure the reduction in cycle time.
6	2005	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce time to issue direct deposit refunds.	Increase the volume of returns processed.	0 returns posted to the CADE database in 2004.	CADE will post 1.4M returns in 2005.	CADE posted 1,423,517 returns in 2005.
7	2005	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer; and Productivity through a Quality Work Environment. Reduce time to issue paper refund;	Increase the number of refunds generated.	3.054 refunds were generated in 2004.	CADE will issue 1.3M refunds in 2005.	CADE generated 1,405,164 refunds in 2005.
8	2006	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce update/posting cycle time.	Increase the volume of returns processed.	1.43M returns posted to the CADE database	CADE will post 4M returns in 2006	CADE posted 7.29M returns as of May 17, 2006.
9	2006	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment. Reduce time to issue direct deposit refunds.	Increase the number of refunds generated.	1.4M Refunds generated in 2005	CADE will issue 3.4M refunds in 2006	CADE issued 6.54M refunds as of May 17, 2006.
10	2007	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively. IRS Goal: Service to Each Taxpayer; and	Increase the volume of returns processed.	4M returns posted in 2006.	CADE will post 33M returns in 2007	TBD

		Productivity through a Quality Work Environment.Reduce time to issue paper refund;				
11	2007	Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively.IRS Goal: Service to Each Taxpayer and Productivity through a Quality Work Environment.Reduce update/posting cycle time.	Increase the number of refunds generated.	TBD	CADE will issue 28M refunds in 2007	TBD

All new IT investments initiated for FY 2005 and beyond must use Table 2 and are required to use the FEA Performance Reference Model (PRM). Please use Table 2 and the PRM to identify the performance information pertaining to this major IT investment. Map all Measurement Indicators to the corresponding "Measurement Area" and "Measurement Grouping" identified in the PRM. There should be at least one Measurement Indicator for at least four different Measurement Areas (for each fiscal year). The PRM is available at www.egov.gov.

Table 2

	Fiscal Year	Measurement Area	Measurement Grouping	Measurement Indicator	Baseline	Planned Improvement to the Baseline	Actual Results
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EA

In order to successfully address this area of the business case and capital asset plan you must ensure the investment is included in the agency's EA and Capital Planning and Investment Control (CPIC) process, and is mapped to and supports the FEA. You must also ensure the business case demonstrates the relationship between the investment and the business, performance, data, services, application, and technology layers of the agency's EA.

1. Is this investment included in your agency's target enterprise architecture?

yes

2. Is this investment included in the agency's EA Transition Strategy?

yes

2.a. If yes, provide the investment name as identified in the Transition Strategy provided in the agency's most recent annual EA Assessment.

Customer Account Data Engine (CADE)

3. Identify the service components funded by this major IT investment (e.g., knowledge management, content management, customer relationship management, etc.). Provide this information in the format of the following table. For detailed guidance regarding components, please refer to <http://www.whitehouse.gov/omb/egov/>.

Component: Use existing SRM Components or identify as NEW. A NEW component is one not already identified as a service component in the FEA SRM.

Reused Name and UPI: A reused component is one being funded by another investment, but being used by this investment. Rather than answer yes or no, identify the reused service component funded by the other investment and identify the other investment using the Unique Project Identifier (UPI) code from the OMB Ex 300 or Ex 53 submission.

Internal or External Reuse?: Internal reuse is within an agency. For example, one agency within a department is reusing a service component provided by another agency within the same department. External reuse is one agency within a department reusing a service component provided by another agency in another department. A good example of this is an E-Gov initiative service being reused by multiple organizations across the federal government.

Funding Percentage: Please provide the percentage of the BY requested funding amount used for each service component listed in the table. If external, provide the funding level transferred to another agency to pay for the service.

	Agency Component Name	Agency Component Description	Service Type	Component	Reused Component Name	Reused UPI	Internal or External Reuse?	Funding %
1	Customer / Account Management	A major feature of the CADE design is the capability to settle accounts on a per-transaction basis.	Customer Relationship Management	Customer / Account Management			No Reuse	60
2	Loading and Archiving	CADE will examine each legacy transactions for CADE eligibility, and then load the transaction records that are eligible for further CADE processing into CADE Database.	Data Management	Loading and Archiving			No Reuse	10
3	Extraction and Transformation	CADE provides various output files and reports to legacy to support existing business processes and systems while both CADE and IMF are being used.	Data Management	Extraction and Transformation			No Reuse	30

4. To demonstrate how this major IT investment aligns with the FEA Technical Reference Model (TRM), please list the Service Areas, Categories, Standards, and Service Specifications supporting this IT investment.

FEA SRM Component: Service Components identified in the previous question should be entered in this column. Please enter multiple rows for FEA SRM Components supported by multiple TRM Service Specifications.

Service Specification: In the Service Specification field, Agencies should provide information on the specified technical standard or vendor product mapped to the FEA TRM Service Standard, including model or version numbers, as appropriate.

	SRM Component	Service Area	Service Category	Service Standard	Service Specification (i.e., vendor and product name)
1	Extraction and Transformation	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software
2	Loading and Archiving	Service Interface and Integration	Interface	Service Description / Interface	IRS Developed Application Software
3	Extraction and Transformation	Component Framework	Data Interchange	Data Exchange	XML
4	Extraction and Transformation	Service Interface and Integration	Interface	Service Description / Interface	IRS Developed Application Software
5	Loading and Archiving	Service Interface and Integration	Interoperability	Data Format / Classification	XML

6	Extraction and Transformation	Service Interface and Integration	Interoperability	Data Transformation	IRS Developed Application Software
7	Loading and Archiving	Service Interface and Integration	Interoperability	Data Types / Validation	XML Schema
8	Loading and Archiving	Service Platform and Infrastructure	Database / Storage	Database	IBM, DB2
9	Extraction and Transformation	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software
10	Customer / Account Management	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software

5. Will the application leverage existing components and/or applications across the Government (i.e., FirstGov, Pay.Gov, etc)?

yes

5.a. If yes, please describe.

Yes, CADE leverages off the existing components. CADE will interface with Treasury's Financial Management System. Future CADE Releases will provide interfaces with applications in the Social Security Administration, Census Bureau, in addition to federal, state, and local governments.

6. Does this investment provide the public with access to a government automated information system?

no

PART TWO

RISK

You should perform a risk assessment during the early planning and initial concept phase of the investment's life-cycle, develop a risk-adjusted life-cycle cost estimate and a plan to eliminate, mitigate or manage risk, and be actively managing risk throughout the investment's life-cycle.

Answer the following questions to describe how you are managing investment risks.

1. Does the investment have a Risk Management Plan?

yes

1.a. If yes, what is the date of the plan?

2006-07-20

1.b. Has the Risk Management Plan been significantly changed since last year's submission to OMB?

no

3. Briefly describe how investment risks are reflected in the life cycle cost estimate and investment schedule: (O&M investments do NOT need to answer.)

CADE's milestones are risk adjusted. The CADE project uses the Cost Xpert cost modeling software to assess the environmental factors that impact development costs, based on the total environment, schedule, staffing, and risks when formulating the BY submission. These environmental factors are then used to risk adjust each of the MS 4 milestones listed in ProSight. The environmental factor categories are: design and development; integration and testing; government project management; contractor project management; contractor personnel; security; and the government co-development environment. The Cost Xpert environmental factors each have a numeric value that can then be applied to the MS 4 cost estimate. For instance, one of the environmental factors is "Required SW reliability." On a scale of one to five, CADE is self-scored a five, (significant financial loss). The Cost Xpert value then is 1.66%, the amount the design and development would need to be adjusted. The value 1.66% comes from Cost Xpert, and is based on their detailed repository of historical data in government and private industry. R4.1 MS 4, developed and deployed in BY08 includes a total risk adjustment of 12% due to the environmental factors. CADE also maintains a Risk Adjustment Milestone in ProSight, with an annual budget amount. The RA costs are allocated to releases at the time of need, following a carefully controlled IRS governance process. CADE utilizes the MS Project add-on software package Risk+ to help the release managers monitor the release schedule and mitigate potential delays. CADE utilizes the MS Excel add-on software package @Risk to perform Monte Carlo simulation on the performance metrics, benefits, ROI, and NPV calculations, creating maximum, minimum, and mean dollar calculations for each. The mean dollar calculations for these are included in the E300 within the cost benefit analysis. Technically, the CBA reflects the probable outcome for each of these

calculations, using a variety of distribution curves. Therefore, the CBA is risk adjusted as well as just the life cycle cost estimate.

COST & SCHEDULE

Does the earned value management system meet the criteria in ANSI/EIA Standard 748?

no

2.a. What is the Planned Value (PV)?

283.171

2.b. What is the Earned Value (EV)?

277.507

2.c. What is the actual cost of work performed (AC)?

262.598

What costs are included in the reported Cost/Schedule Performance information?

Contractor and Government

2.e. As of date:

2006-12-29

3. What is the calculated Schedule Performance Index (SPI= EV/PV)?

0.98

4. What is the schedule variance (SV = EV-PV)?

-5.664

5. What is the calculated Cost Performance Index (CPI = EV/AC)?

1.06

6. What is the cost variance (CV = EV-AC)?

14.909

7. Is the CV or SV greater than 10%?

yes

7.a. If yes, was it the CV or SV or both?

Both

7.b. If yes, explain the variance.

CADE's cost and schedule variance percentages are within 10%. EV analysis was performed against the baseline approved 2.06.06, that reflected the reductions from the OMB Pass Back and the co-development model. The Steady State variance for CADE O&M is +9.07%, as CADE O&M costs are slightly less than planned. This came about because R1.3.1 was deployed into production two months behind schedule and was over cost. The O&M planned costs were based on the timely deployment of the new release. The workload (and cost) for Steady State operations and maintenance was therefore lower. Regarding the original baseline in I.H.2: There are several line items with no start, finish, or budget. These are items that were "holes" in the original baseline and inadvertently omitted. They are listed in I.H.2 with no values as these items were not in the original schedule so had no budget and no schedule.

7.c. If yes, what corrective actions are being taken?

No Corrective Action Plan is required at this time. CADE maintains a detailed WBS of all development activities. EVM is reported using WinSight software, the Cost Performance Reports (CPRS), and in Dashboard reviews. The CADE milestones reported in ProSight are rolled up due to the physical limitations of ProSight and the number of milestones activities that may be reported.

7.d. What is most current Estimate at Completion?

750.212

8. Have any significant changes been made to the baseline during the past fiscal year?

yes